



Slovak CEO Survey 2018
9th year

Trust and staff development are essential for the use of technology

PwC, a consulting firm, and the Forbes Magazine surveyed the expectations of business leaders for this year

147 CEOs in Slovakia gave their opinion



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CEOs still strongly believe in the growth of firms and the economy



02

Businesses in Slovakia are still exposed to the same threats



03

Trust and transparency in business are key priorities for CEOs



04

It is difficult to find and retain talent, HR strategies are changing, and big investments are being made in staff



Alex Šrank
Country Managing Partner
PwC

Business leaders are very optimistic as regards global economic development and company revenue growth in the coming year. Companies and economies are doing well. However, they are very concerned about specific near future threats to their business.

The future will be about technologies that transform services and products, and corporate processes, both external and internal. However, all this will require many changes to companies, and staff with diverse skills, which are currently difficult to find. For many years, the education system has not been giving people the right skills that businesses require. Unfortunately, we must admit that the situation will not improve any time soon.

We will all have to change our current practices. CEOs realize they will not only have to implement new technologies and change HR strategies, but also make their brands more attractive and invest in education, coaching, retraining and more demanding team and company management, as staff education and development will be their responsibility to a greater extent and this will be expensive.



Juraj Porubský
Editor-in-Chief
Forbes

The technological revolution will affect us, whether we like it or not. But we do not know how. A CEO has an un-enviable position. Issues that have not been solved using corporate procedures land on his desk. And behind the CEO's office, there is usually only a window. So, he will either resolve the problems, or he can throw them out of this window.

So far, we do not have the answer to many problems. From a CEO's point of view, it is more acceptable if we know that we do not know something. For example, customers' shopping behaviour has already changed, but we do not know how to respond to it. The wheels in the firm start turning with the objective of finding a solution.

However, we are living in times with many unknowns, which we do not have the slightest idea about so far. Technologies are changing rapidly. Before the iPhone, how many CEOs knew that the mobile world would change totally? And did the boss of Nokia anticipate this?

Therefore, today courage is one of the most important qualities of a CEO. Courage to take a step forward, although everyone can see there is an abyss in front of us. Just like Indiana Jones in the Last Crusade. A CEO must set the direction and then move forward. Without hesitation.

The second key issue is to train one's team to move flexibly in a completely different direction if needed. Without losing enthusiasm. Because the technological revolution will bring many unforeseeable changes in the future. And we really do not know what we currently don't know.



Anxious optimists on the alert

CEOs in Slovakia are optimistic about global economic growth

Up to 57% of CEOs around the world expect the global economy to grow this year, which is the highest percentage since 2012. While global business leaders are anxious optimists, their colleagues in CEE are clear-eyed realists. Leaders in the region have diverse experience from local crises over the last 25 years and are looking to the future more prudently. One third of Slovak CEOs expect increasing global economic growth, and more than half expect current growth trends to continue.

Figure 1:

Do you believe global economic growth will improve, stay the same, or decline over the next 12 months?

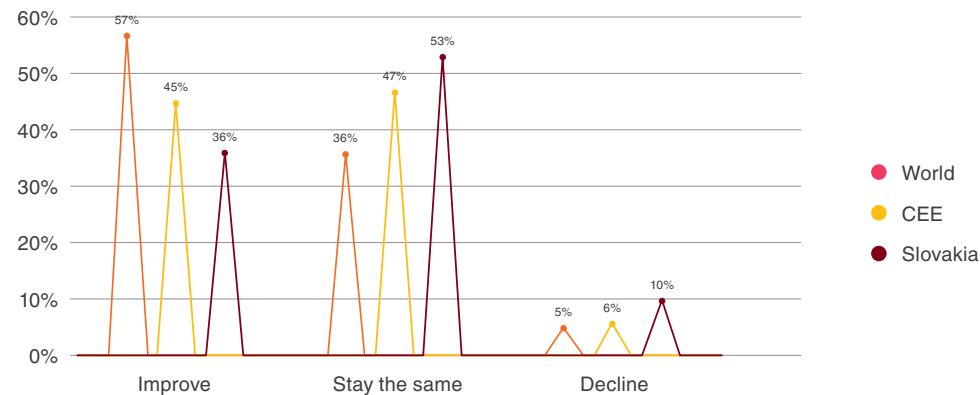
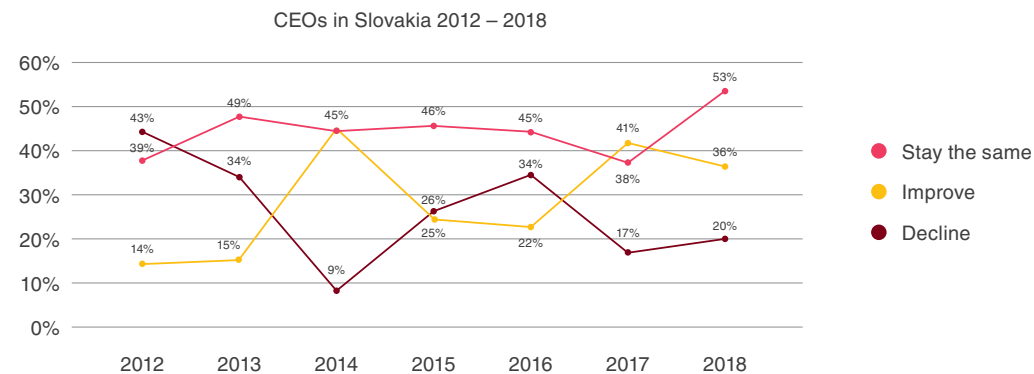


Figure 2:

How confident are you about your organisation's prospects for revenue growth over the next 12 months?





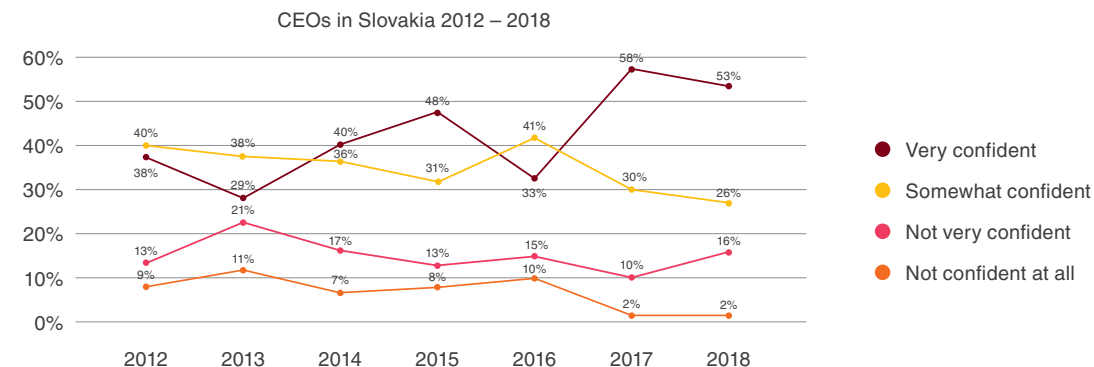
“ Firms and economies are doing well but the right people with skills for the future are missing. Costs to attract, maintain and train right people have been increasing. The firms have become educational institutions while demand on appropriate working environment has grown. In good times we have to prepare on the future and build companies as interesting place for life.

Alica Pavúková
Partner, Assurance Leader

Business leaders believe in their firms' growth, but not as much as they did last year

Slovak business leaders believe in their firms' growth a little less than last year, but more than half of them are very confident that their organizations will grow again. However, Slovak leaders are cautious due to the current situation on the labour and real estate markets, and the number of mergers and acquisitions last year. More than half of them expect an economic crisis within 2 or 5 years, although one fifth of survey respondents do not anticipate an economic crisis as big as in 2008.

Figure 3:
How confident are you about your organisation's prospects for revenue growth over the next 12 months?





” The current economic development is very promising, but we must understand that this situation will not last forever and that a slowdown in growth or a recession will arrive one day. In recent years, banks have been tested, strengthened, and are subject to many new regulations so they will be in better shape in more difficult times.

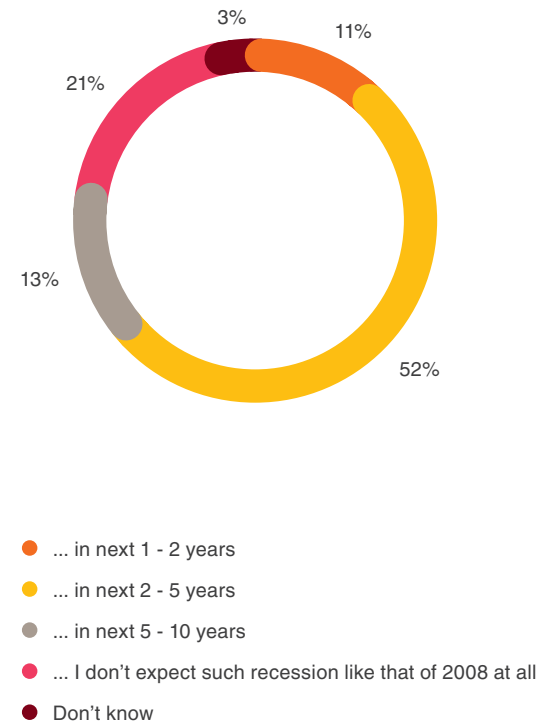
Martin Gallovič
Partner



Half of CEOs in Slovakia expect an economic crisis within 2 - 5 years

Figure 4:

In last years Slovak economy has grown, do you expect the recession/crisis ?



Slovak CEOs are relying more on growth than cost reductions

The proportion of firms whose CEO is planning cost reductions has dramatically dropped in recent years. Only two years ago, two thirds of companies intended to cut costs, as against one in five this year. However, 62% of global CEOs are still planning to implement cost reduction initiatives.

Slovak CEOs are giving less consideration to strategic partnerships, mergers and acquisitions, outsourcing, and collaboration with external partners.

Figure 5:

Which of the following activities, if any, are you planning in the next 12 months in order to drive corporate growth or profitability?

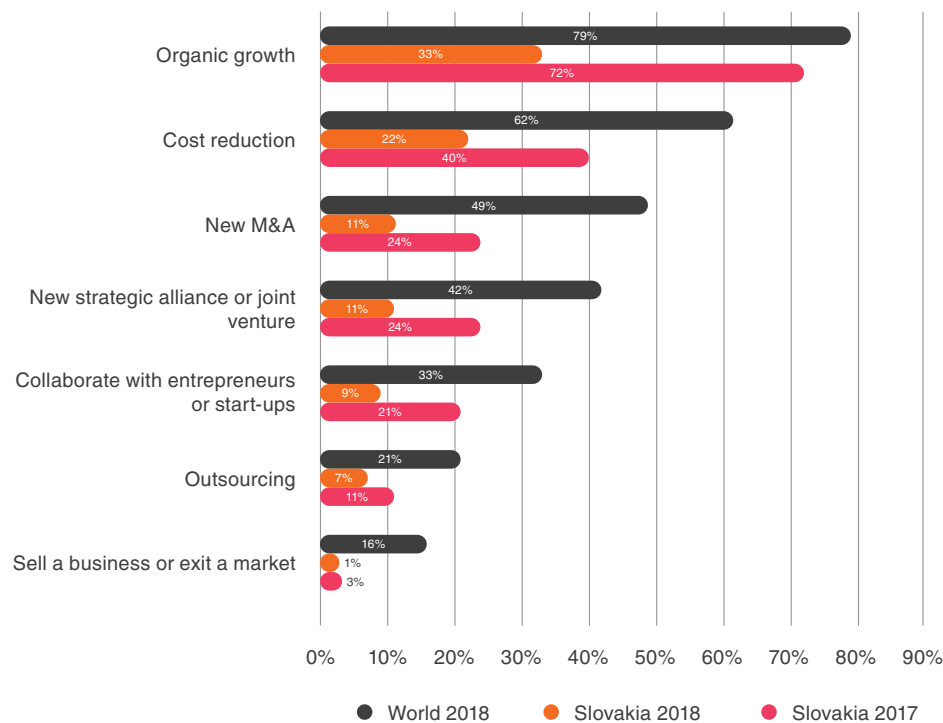
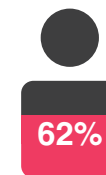
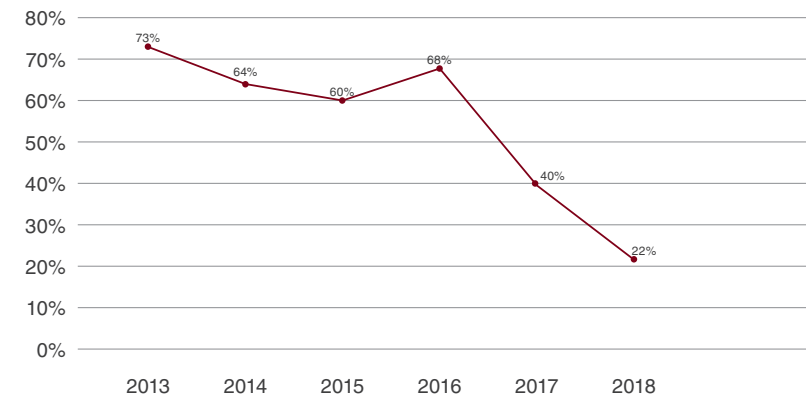


Figure 6:

CEOs in Slovakia plan less cost reduction initiatives



62% CEOs in the world plan cost reduction



“Slovak CEOs are again optimistic about their business outlook for the year. At the same time, growth prospects of the key industry of the country - the automotive industry - appear to become limited as it suffers from the lack of available human resources. Future considerations of industry leaders might include further automation and new technologies.

Jens Hörning
Partner, CEE Leader for Automotive

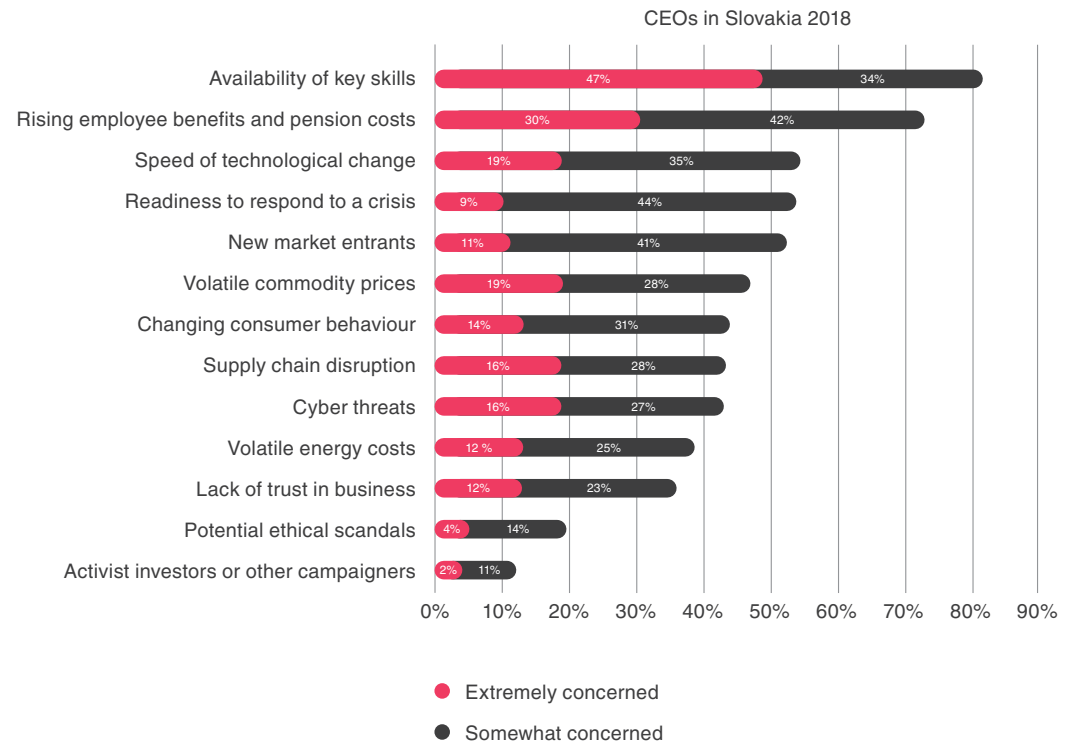
The biggest business threat is the availability of key skills

CEOs see threats around the globe

For CEE business leaders, the availability of key skills for their firms and over regulation are without doubt the biggest business threats. However, their top 10 threats do not include cyber threats, which are No. 1 on the threat list for CEOs in North America, followed by over regulation. On the other hand, CEOs in Western Europe are most concerned about rising populism and over regulation.

Figure 7:

How concerned are you about potential business threats to your organisation's growth prospects?

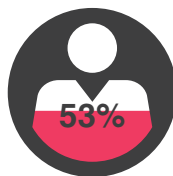




” Almost 87% of Business Service Centres in Slovakia plan to expand their scope or customer base both in near future. Increased demand for qualified employees and increasing salary are the key challenges facing the centres in our region. Accordingly, cost reduction will be a key driver for process automation. There is great potential in centres in Slovakia for automation in all areas of work.

Asif N. Khoja
Partner

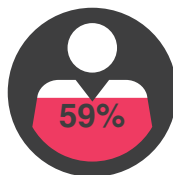
► More than half of CEOs expect headcount to increase



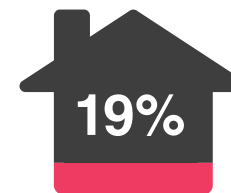
of CEOs in Slovakia plan to increase in headcount



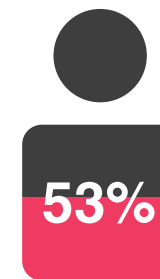
of CEOs in Slovakia plan decrease in headcount



of CEOs say that the decrease in headcount will either be certainly or at least partially the result of automation and the implementation of other technologies



of companies were targeted for acquisition in the last 12 months



of CEOs feel increasing pressure on companies to deliver short-term business results



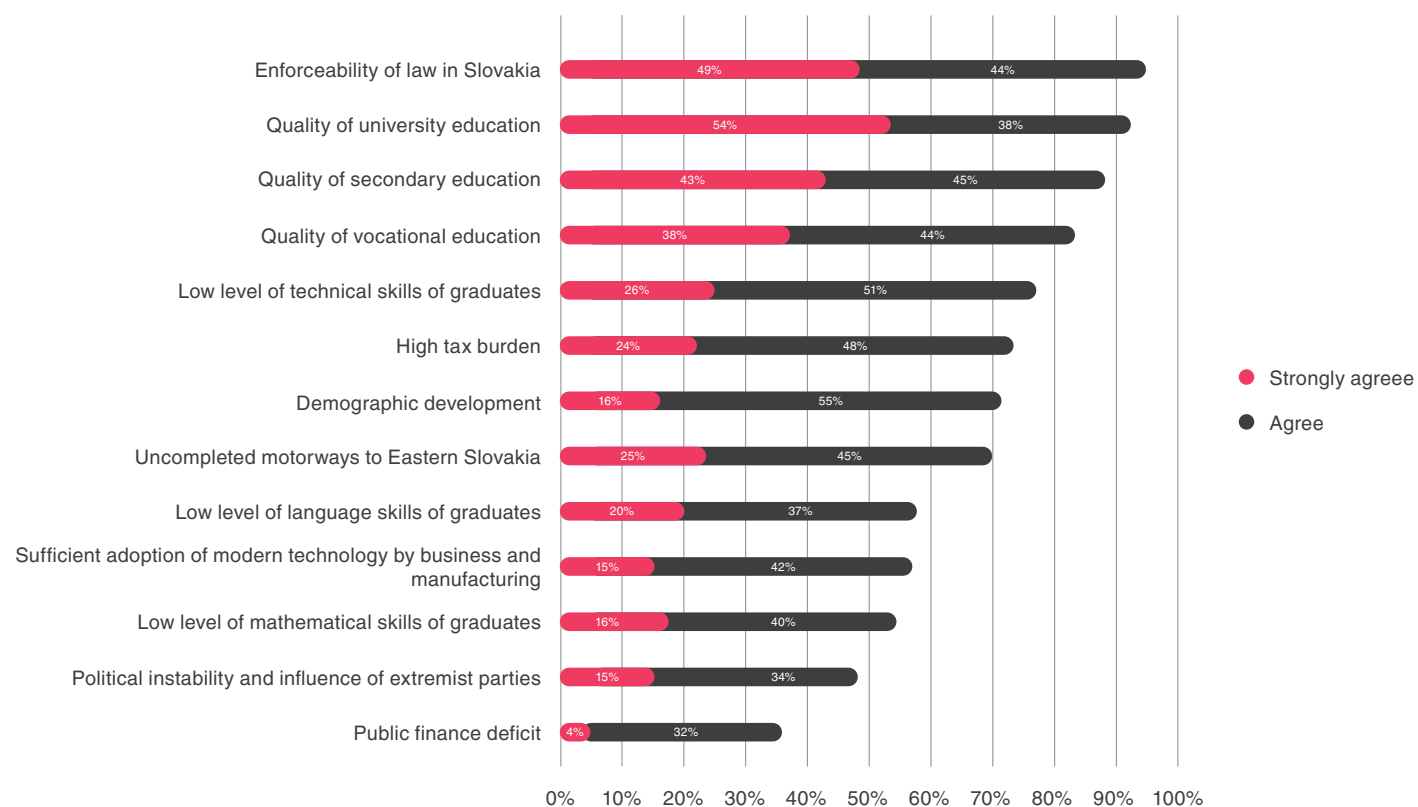
Business in Slovakia still exposed to the same threats

Enforceability of law in Slovakia and quality of education are the biggest threats

For several years, 90% of CEOs in the Slovak CEO survey have stated that law enforcement and the quality of education (at universities, secondary and vocational schools) are the biggest threats to doing business in Slovakia, and there has been no improvement in the CEOs' perception in recent years. As for skills, graduates lack technical skills and to a lesser degree mathematical and language skills.

Figure 8:

Which of the following factors could jeopardize successful business activities in Slovakia?





Two thirds of CEOs state that the elimination of upper limits for social and health insurance contributions will reduce their company's investment potential

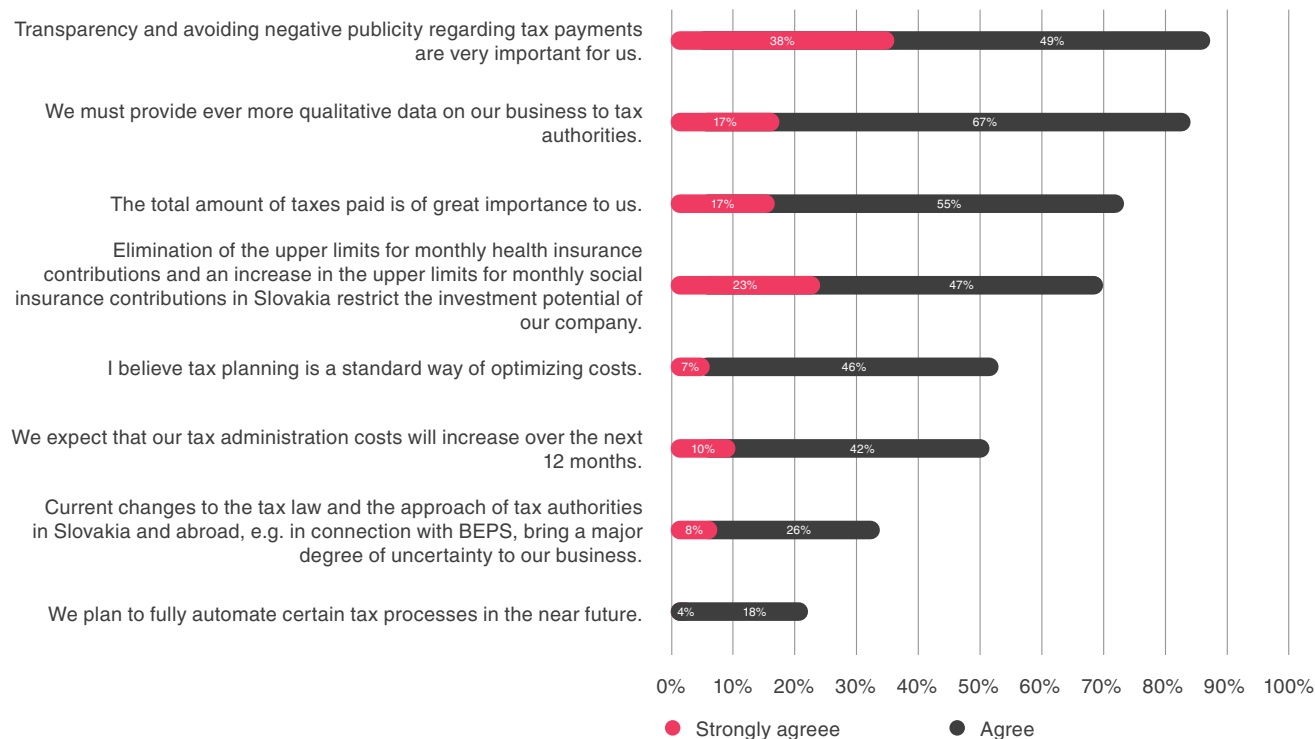
CEOs in Slovakia determine their firm's tax strategy and for 87% of them, transparency and avoidance of negative publicity related to paying taxes (due to tax affairs and leaks of documents from tax havens around the world) are the most important issues. In addition, more than 80% of them state that they are able to provide tax authorities with more high-quality data about their business thanks to the digitalization of tax administration. One third of Slovak CEOs state that the most recent changes to the tax law and to the approach of Slovak and foreign tax administrators, e.g. in relation to BEPS, have brought significant un-certainty factor into their business. Two thirds of CEOs state that the elimination of upper limits for social and health insurance contributions restricts their company's investment potential. Over half of CEOs expect that their expenses related to tax administration will increase, and only one fifth of them intend to fully automatize tax processes in the near future. Moreover, the Paying Taxes 2018 study discloses that the tax burden in Slovakia is the highest within the V4 countries and is one third higher than the EU & EFTA average.

Today, the tax burden is not the biggest threat. Companies face increasing pressure regarding transparency, including tax transparency, pressure to disclose ever more detailed information, frequent changes to the tax law, pressure to implement process automation and digitalization from tax authorities and to optimise their costs. In Slovakia, all this is accompanied by a high tax burden (taxes and mandatory payments to the social and health insurance scheme), which are among the highest in Europe. The cancellation of, or increase in, the upper limits for monthly contributions to social and health insurance will certainly not increase the country's attractiveness for foreign investors. This measure was intended to create better conditions for production and services with higher added value, which the Slovak government promised in its programme statement, but it may prove to be counterproductive.

Christiana Serugová
Partner, Tax and Legal Services Leader

Figure 9:

To what extent do you agree with the following tax-related statements?





Trust in business



” The current world is dependent on trust. CEOs around the world realize this is one of their most important tasks – to build trust and transparency in relationships with employees, customers, business partners, and the public. Transparency can only be built systematically using processes that are correctly set up and by open communication with all stakeholders.

Juraj Tučný
Partner

► Transparency requires the implementation and management of processes

Company leaders realize that successful business is based on mutual trust with employees, customers, business partners, and the public. CEOs know that measures taken to create and maintain trust must be among their priorities. Up to 60% of companies measure the level of trust between employees and senior leadership. They realize that it is very important to systematically build trust with their staff by implementing transparent procedures, particularly as regards compensations and employee benefits, the organization's values, employee contributions to business results, and HR strategy.

Figure 10:

To what extent is your organisation building trust with its workforce by creating transparency in the following areas?





Trust continues to be at the forefront of the CEO agenda, which is increasingly in demand by all stakeholders. Transparency is fundamental to building and maintaining trust.

James D. Miller
Partner

CEOs believe transparency is fundamental to building and maintaining trust

Business digitalization creates additional risk, including data leaks and hacks, which have triggered a crisis of trust in business. Slovak CEOs are concentrating their efforts to manage these risks through creating a transparent environment with respect to elements of the business strategy, building transparency into the supply chain, in how their companies use and store client data, and through additional investments in cybersecurity. Consistent with global CEOs, Slovak CEOs also value providing transparent tax information and being engaged in philanthropic activities. Collaborating with educational institutions and political decision-making bodies, as well as promoting diversity and inclusion not only serve to build trust but also to ensure workforce talent and availability.

Figure 11:

Beyond providing valuable products and services, to what extent is your organisation using the following strategies and tactics to build trust with its customers?





The biggest business threat
is the availability of key
skills



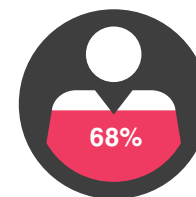
” CEOs in all industries and countries agree that there is a lack of digital and soft skills among employees, graduates, on the labour market, and in their business sector. Firms will have to continually educate and train staff for the future.

Ivo Doležal
Partner

Missing availability of key skills, especially digital skills

More than half of companies are preparing plans for emerging visions of the future using a scenario-based approach. More than 80% of firms make decisions about automation of tasks and jobs primarily based on how to best meet company goals and plans, which also requires improved soft skills (e.g. teamwork or communication) alongside digital skills.

Almost two thirds of organisations review the operation and job descriptions of the HR department, and feel responsible for retraining employees whose tasks and jobs will be automated by new technologies.



of CEOs say that it is either very difficult or fairly difficult to hire talented people with digital skills

61%



senior executives have digital skills

72%



company employees have digital skills

72%



digital skills are adequate in their business sector

74%



Slovak citizens have sufficient digital skills

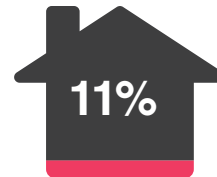
of CEOs are concerned whether



Implementation of process automation in the companies requires not only to implement technology but also to retrain employees whose tasks and jobs are automated by technology and coach them to strengthen soft skills alongside digital skills.

Karsten Hegel
Partner

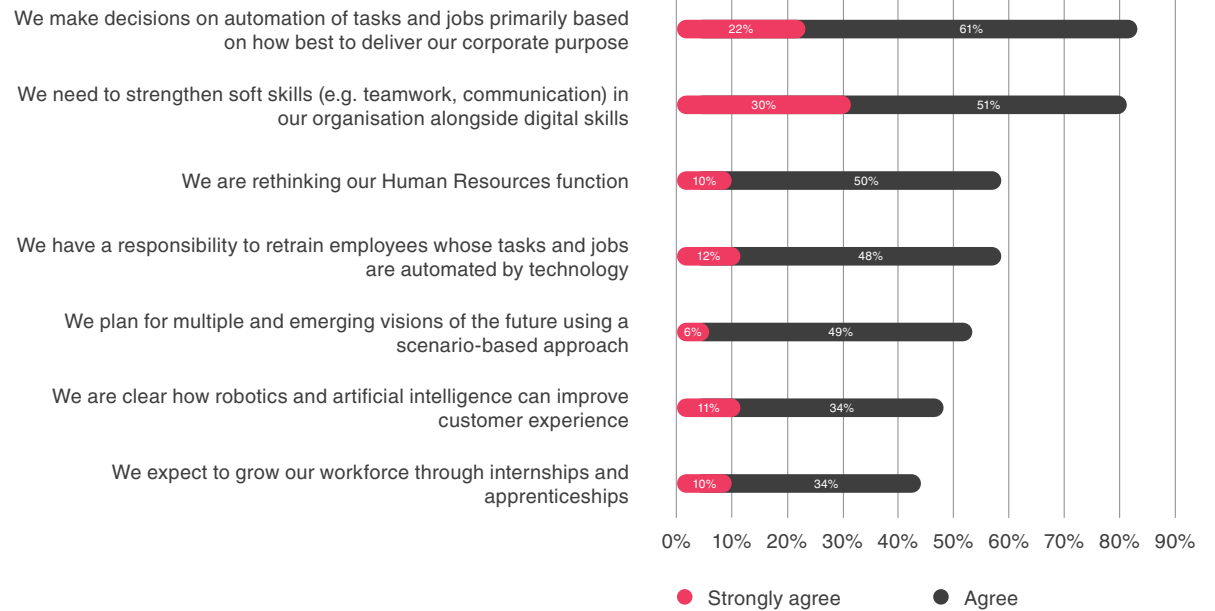
Companies feel responsibility to retrain employees whose tasks and jobs are automated by technology



of Slovak firms are clear how robotics and artificial intelligence can improve customer experience

Figure 12:

Thinking about your people strategy for the digital age, how strongly do you agree or disagree with the following statements?





” It is not sufficient to implement new digital technology into company internal and external processes. Many other changes should be done together with the implementation of the new technology, as this is a change in thinking and operation of the whole firm which is reflected in all firm processes and the employees.

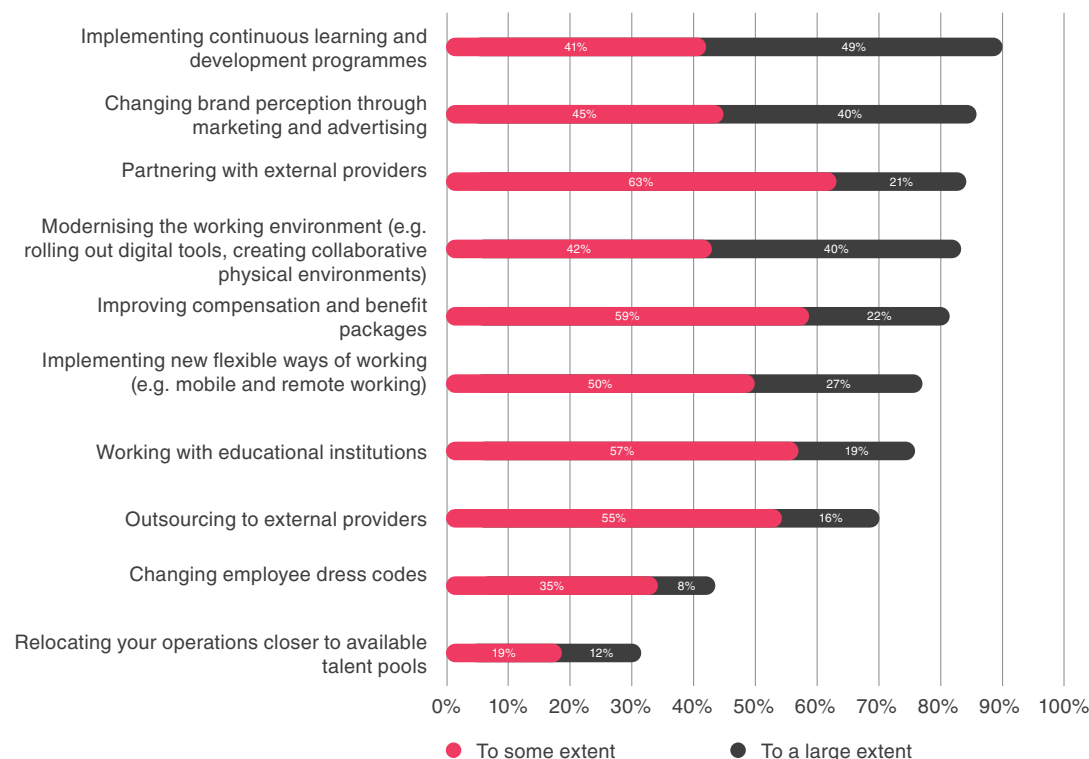
Branislav Paulik
Partner

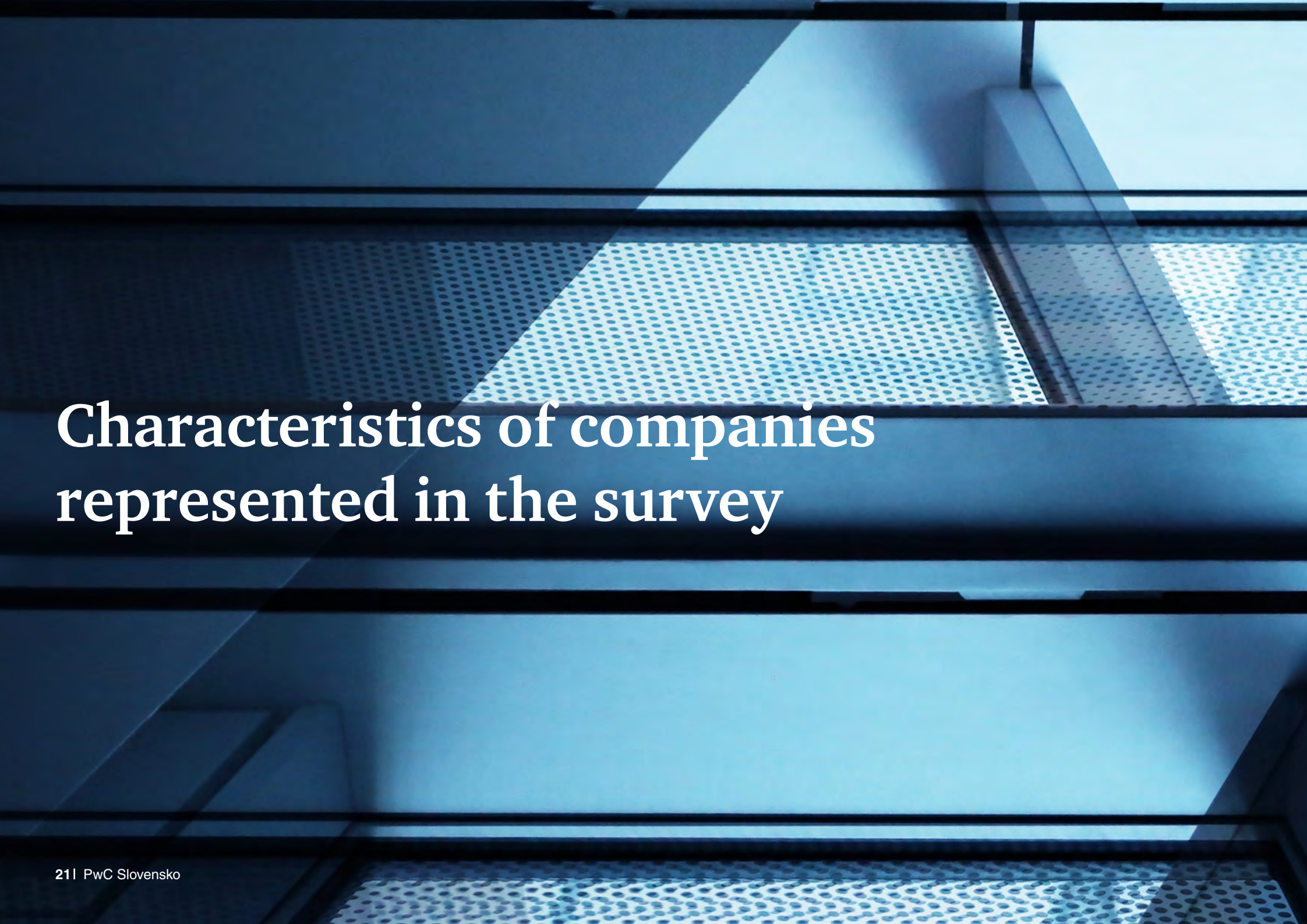
To attract digital talent, companies also need to change

It is very difficult to attract and retain digital talent, as they often require other employee benefits, and a different work environment, work regulations or company spirit, or even a relaunch of a trademark or employer brand. To increase their attractiveness, up to 90% of companies implement additional education and professional development programmes, 85% of firms seek to change brand perception by marketing and advertising, and more than 80% of organisations are improving compensation and employee benefit packages, modernizing the work environment, and cooperating with external partners.

Figure 13:

To what extent is your organisation using the following strategies and tactics to attract or develop digital talent?





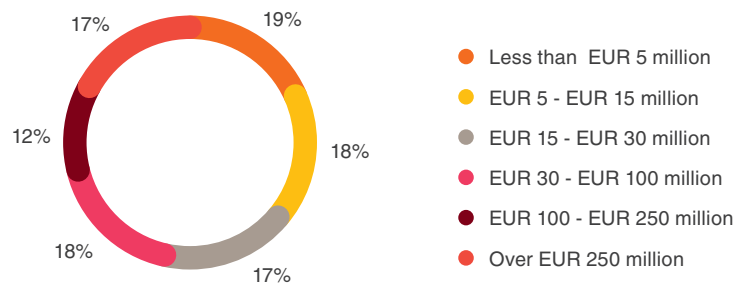
Characteristics of companies represented in the survey

Characteristics of companies which participated in the Slovak CEO Survey 2018

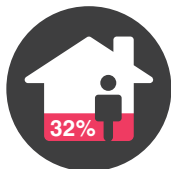
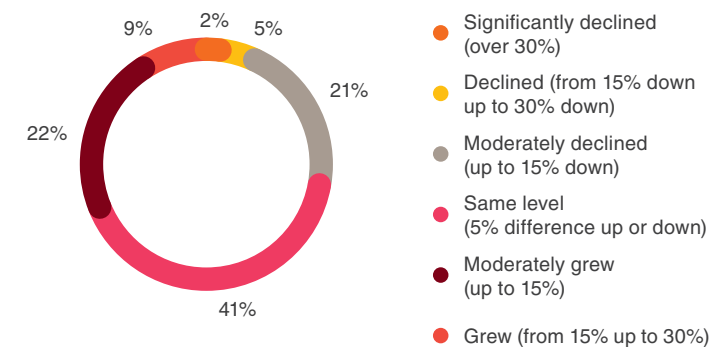
The 9th Annual Slovak CEO Survey was conducted by PwC, a consultancy firm, in cooperation with the Slovak edition of the Forbes Magazine. The CEOs contacted replied via an on-line or printed questionnaire from 5 December 2017 to 19 January 2018. 147 CEOs of companies operating in the Slovak market participated in the survey from various industries: financial services (banking & insurance), industrial manufacturing, construction, automotive, retail & distributive wholesale, consumer goods, transportation & logistics, information technology, telecommunications, energy & utilities, and other sectors.

The data for the 21st Annual Global CEO Survey was collected in October and November 2017. 1 293 CEOs participated in the survey and the results were published during The World Economic Forum in Davos held on 22 January 2018.

29% of respondents manage companies with revenues of more than EUR 100 million



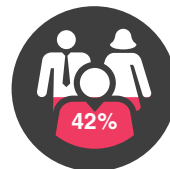
67% of respondents manage companies whose revenues increased last year



32%
are firms managed by their owners



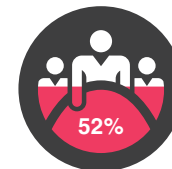
29%
of companies included in the survey have 500+ employees



42%
of firms are family-owned (families hold at least 32% of voting rights)



71%
of responding firms have been in business at least 15 years



52%
of responding CEOs spent at least one year working outside their home country on an international assignment

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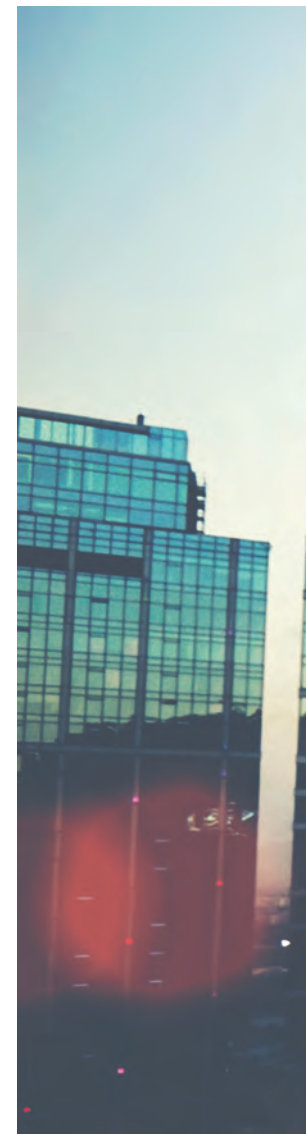
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